

**REPORT OF THE AUDIT OF THE
CLINTON COUNTY
CLERK**

**For The Year Ended
December 31, 2004**



**CRIT LUALLEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
CLINTON COUNTY CLERK

For The Year Ended
December 31, 2004

The Auditor of Public Accounts has completed the Clinton County Clerk's audit for the year ended December 31, 2004. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$9,743 from the prior year, resulting in excess fees of \$9,833 as of December 31, 2004. Revenues increased by \$362,438 from the prior year and expenditures increased by \$352,695.

Report Comment:

- The County Clerk's Office Lacks An Adequate Segregation Of Duties

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Donnie McWhorter, Clinton County Judge/Executive
Honorable Jim Elmore, Clinton County Clerk
Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Clinton County, Kentucky, for the year ended December 31, 2004. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2004, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated May 12, 2005, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



The Honorable Donnie McWhorter, Clinton County Judge/Executive
Honorable Jim Elmore, Clinton County Clerk
Members of the Clinton County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Clerks Office Lacks An Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Clinton County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 12, 2005

CLINTON COUNTY
JIM ELMORE, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues

State Fees For Services		\$	6,233
State Grant			52,424
Fiscal Court			5,798
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	297,250	
Usage Tax		547,000	
Tangible Personal Property Tax		489,620	
Other-			
Fish and Game Licenses		10,928	
Marriage Licenses		3,726	
Occupational Licenses		11	
Deed Transfer Tax		19,799	
Delinquent Tax		187,388	1,555,722
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		9,003	
Real Estate Mortgages		10,688	
Chattel Mortgages and Financing Statements		35,304	
Power of Attorney		4,997	
Charges for Other Services-			
Miscellaneous		10,557	70,549
Other:			
Title Applications		8,375	
IRS Tax Liens		96	8,471
Interest Earned			376
Total Revenues		\$	1,699,573

The accompanying notes are an integral part of the financial statement.

CLINTON COUNTY
JIM ELMORE, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2004
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 234,973

Usage Tax 530,593

Tangible Personal Property Tax 202,388

Licenses, Taxes, and Fees-

Fish and Game 10,426

Delinquent Tax 29,342

Legal Process Tax 9,932 \$ 1,017,654

Payments to Fiscal Court:

Tangible Personal Property Tax 30,698

Delinquent Tax 14,095

Deed Transfer Tax 18,788 63,581

Payments to Other Districts:

Tangible Personal Property Tax 236,933

Delinquent Tax 98,349 335,282

Payments to Sheriff 1,307

Payments to County Attorney 27,796

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries 73,480

Employee Benefits-

Employer's Share Social Security 10,306

Employer's Share Retirement 13,270

Contracted Services-

Computer Maintenance Contract 2,000

Meter Rental 604

Materials and Supplies-

Office Supplies 7,403

Library and Archives Grant 52,424

The accompanying notes are an integral part of the financial statement.

CLINTON COUNTY
JIM ELMORE, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2004
(Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Other Charges-

Conventions and Travel	\$	1,050	
Dues		350	
Miscellaneous		3,256	
Postage		1,330	
Refunds		2,387	
Telephone		3,195	
Capital Outlay-			
Office Equipment		<u>6,059</u>	\$ 177,114

Total Expenditures			<u>\$ 1,622,734</u>
Net Revenues			76,839
Less: Statutory Maximum			<u>60,313</u>
Excess Fees			16,526
Less: Expense Allowance		3,600	
Training Incentive Benefit		<u>3,093</u>	<u>6,693</u>
Excess Fees Due County for 2004			9,833
Payments to Fiscal Court - March 3, 2005			7,000
Payments to Fiscal Court - April 27, 2005			<u>2,833</u>
Balance Due Fiscal Court at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2004

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2004
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2004, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the County Clerk's agent in the County Clerk's name.

Note 4. Grants

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$17,446 during 2002. The unexpended grant balance as of December 31, 2003 was \$14,257. Funds totaling \$14,257 were expended during 2004. The unexpended grant balance was zero as of December 31, 2004.

The County Clerk received an additional local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$1,854 during 2002. The unexpended grant balance as of December 31, 2003 was \$1,854. During 2004, the Clerk received interest revenue totaling \$1. Funds totaling \$1,855 were expended during 2004. The unexpended grant balance was zero as of December 31, 2004.

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$36,296 during 2004. In addition, the grant account earned interest income totaling \$16. Funds totaling \$36,312 were expended during 2004. The unexpended grant balance was zero as of December 31, 2004.

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COMMENT AND RECOMMENDATION

CLINTON COUNTY
JIM ELMORE, COUNTY CLERK
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2004

INTERNAL CONTROL - MATERIAL WEAKNESSES:

The County Clerk's Office Lacks An Adequate Segregation Of Duties

The Clinton County Clerk has a weakness in internal controls due to a lack of segregation of duties. We recommend the following:

- A. A qualified office employee independent of check writing and posting duties, match posting orders to checks and invoices. Initialing the purchase orders, and invoices, by this person, and making sure the invoices are marked paid can be shown as evidence of this segregation of duties.
- B. The person opening the mail keep a listing of all checks received that day, detailing date received, the check amount, who it is from, and what the check is for.
- C. The person preparing the bank reconciliation should be independent of the person responsible for receiving and posting of cash to the ledgers.

To have better internal controls, it is a best practice to keep the receipt of cash, the disbursements of cash, and the posting of cash to the ledgers delegated to separate individuals.

County Clerk Jim Elmore's Response: Ok.

PRIOR YEAR:

- Annual Fee Settlement Should Be Published Within 60 Days Of The End Of The Calendar Year
- The County Clerk Should Settle Excess Fees With Fiscal Court By March 15th

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Donnie McWhorter, Clinton County Judge/Executive
Honorable Jim Elmore, Clinton County Clerk
Members of the Clinton County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Clinton County Clerk for the year ended December 31, 2004, and have issued our report thereon dated May 12, 2005. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clinton County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comments and recommendations.

- The County Clerk's Office Lacks An Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the lack of adequate segregation of duties to be a material weakness.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Clinton County Clerk's financial statement for the year ended December 31, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 12, 2005

